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C O N F I D E N T I A L   WARSAW 001521

SIPDIS

STATE FOR EUR/NCE TARA ERATH AND MICHAEL SESSUMS

E.O. 12958: DECL: 03/16/2015

TAGS: [PREL](#) [MASS](#) [MCAP](#) [PARM](#) [ECON](#) [IZ](#) [PL](#)

SUBJECT: POLISH HELICOPTERS YET AGAIN

REF: BAGHDAD 01072

Classified By: Charge Cameron Munter. Reasons: 1.5 (a), (b), and (d).

11. (C) Summary. The Polish state-owned holding company, Bumar, continues to work with the Iraqi Ministry of Defense on helicopter contracts. Bumar understands that the contracts were amended at the insistence of U.S. military advisors, who Bumar believes were pressured to do so by American and British helicopter manufacturers. Bumar confirmed that funds for the canceled contracts are being reprogrammed. However, the company views the amending of the helicopter contracts as a net loss, as it believes it would have won contracts for additional military supplies in any case. While Bumar will profit from the remaining contracts for 34 Russian-built MI-17 and 2 Polish-built Sokol helicopters, the Polish manufacturer of the Sokol W-3 helicopter, PZL Swidnik, will lose money and is upset with the cut of the 18 Sokol helicopters. End summary.

12. (C) On March 15, Aleksander Jadko, the deputy director at Bumar overseeing the helicopter deal with Iraq, confirmed Iraq requested the cancellation of the contract for the 18 Polish-built Sokol helicopters, which his Iraqi contacts told him was done at the request of U.S. advisors. Jadko suspects that the reason for the cancellation is that American and British helicopter manufacturers were pressuring the U.S. military to force the Iraqi MOD to cancel the deal for Polish helicopters. Jadko confirmed that Bumar was reprogramming the money to other contracts. He said that some of the money already received for the Sokol is being shifted to pay for the MI-17 contracts and that the rest of the money will go to procure other equipment for the Iraqi MOD. Jadko emphasized, however, that he views this reprogramming of the money as a net loss to the company because "Bumar would have sold the other equipment to Iraq anyway." He understands that the Iraqi military is very pleased with equipment provided by Bumar and that additional orders had already been discussed.

14. (C) Jadko commented on the remaining contracts for the 34 Russian-built MI-17 helicopters, saying that he has heard unsubstantiated rumors from Baghdad that there is some pressure to cancel these as well. According to Jadko, one of the contracts calls for 24 used MI-17s. Bumar's partner in Russia has procured these, and Russian companies are currently overhauling them. Jadko expects to be prepared to deliver the first twelve overhauled aircraft in June and the final 12 in October. Bumar signed another contract with Iraq for ten new MI-17 helicopters, which are being produced and outfitted by two Russian companies. Jadko said that the helicopters are immediately available and that Bumar will most likely deliver them in the coming months. Jadko emphatically stressed that Bumar would not cancel or amend these contracts as the company already has sunk costs that could not be recovered.

15. (C) Jadko said that from Bumar's perspective, it doesn't matter if it sells Russian-built or Polish-built helicopters. Bumar is able to make a profit regardless of the country of origin, and Jadko offered his opinion that the MI-17s are superior aircraft. However, the directors of the Sokol helicopter manufacturer, PZL Swidnik, are extremely upset by the cancellation of the contract for 18 Sokol helicopters and have written protests to various levels of the Polish government, including to the PM. A Swidnik director related that the company has already spent money on the production of Iraq's 20 Sokol helicopters and will end up with a loss if it only delivers two of them. The state-owned company is prepared to drop Bumar and negotiate directly with the Iraqis. Jadko believes that it is only a matter of time before the issue hits the Polish press.

16. (C) Comment. Post appreciates Baghdad's details concerning the changes to the helicopter deal (reftel). We would appreciate any further background behind the contract cancellations, which could be useful in countering Bumar's impression that contracts were canceled at the insistence of U.S. advisors. We believe this misconception, possibly conveyed to Bumar by its Iraqi MOD contacts, has led the company to extrapolate that U.S. and British helicopter manufacturers were ultimately behind the decision to cancel most of the Polish-built helicopters while retaining the Russian-manufactured aircraft. So far, this issue has not

become public. Protests by Swidnik or Bumar, however, could  
change that quickly, particularly as Poland heads into a  
general election. End comment.  
Munter

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